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11. (SBU) Summary: After months of quibbling and backtracking (Ref B), the six nations of the Organization of Eastern Caribbean States (OECS) signed on to the single market phase of the CARICOM Single Market and Economy (CSME) at the start of the CARICOM Heads of Government meeting July 3-6 in St. Kitts and Nevis. The OECS six were supposed to sign in January, but demurred, demanding payment in exchange for their participation in the regional pact, which will allow for freer movement of goods, services, capital, and labor across the region. CARICOM met the OECS demands, in the form of a Regional Development Fund (RDF). The RDF is supposed to alleviate some of the pain from further opening up the OECS countries' markets to increased competition from lower-cost manufacturers like Trinidad. End Summary.

12. (U) In a formal gesture at the opening ceremony of the Caribbean Community (CARICOM) Heads of Government (HOGs) meeting in St. Kitts and Nevis, OECS heads signed on to the single market phase of the CARICOM Single Market and Economy.

(Note: The single market phase of the CSME has also been referred to as the CSM - CARICOM Single Market. End Note.) Despite having already negotiated and signed the revised treaty of Chaguaramas, which lays out the form and structure of the CSME, OECS leaders refused to participate in a ceremonial "signing on" to the CSME in January. In exchange for their signatures, they demanded that a Regional Development Fund (RDF), part of the CSME treaty (Article 158), be set up. This fund is meant to help the less developed countries of CARICOM avoid having their small economies overwhelmed by a flood of exports from more competitive manufacturing sectors in larger economies such as Trinidad's. CARICOM also met three additional OECS demands: OECS countries get to keep additional restrictions on foreign land ownership, free movement of labor will be extended to more people, and a regional stock exchange will be established.

"Comrade Ralph" Seeks Divine Guidance

13. (SBU) St. Vincent and the Grenadines Prime Minister Ralph Gonsalves invoked the Pauline teaching of the organic unity of the body found in I Corinthians, Chapter 12, to argue for "special and differential treatment" of the OECS in the CSME. Despite the oddity of a former communist quoting scripture, Gonsalves rather eloquently made the point that smaller

countries like St. Vincent are like the fingers while the stronger economies like Trinidad are the head or heart of the CARICOM body. The body parts/countries serve different purposes, but all are important. Other than this apparent divine justification for the RDF, Gonsalves pointed out more earthly reasons for the OECS to receive additional aid. He said the CSME and RDF will address "the concrete and practical matters which are closest to us" including poverty, unemployment, and lack of competitiveness. As he did in his speech to OECS heads (Ref A), he veered off the subject at the end of his talk to attack the U.S. for "arrogant triumphalism" and to blame more powerful countries for most of the Caribbean's problems.

Economic Foundations of OECS' Hesitation

¶4. (SBU) Apart from the word of God as interpreted by PM Gonsalves, there are significant economic reasons for the OECS to be hesitant in implementing the CSME. The six independent nations of the OECS (Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines) collectively compose only nine percent of the entire GDP of the CSME twelve (the twelve countries who have signed on to the CSME--all of CARICOM minus Montserrat, Haiti, and the Bahamas). Jamaica and Trinidad each make up around thirty percent of the CSME twelve GDP, and Barbados contributes a further thirteen percent. OECS leaders fear that a further opening of their markets, to Trinidad in particular, will be too much for their nascent domestic manufacturing sectors to handle. According to the OECS secretariat (Ref B), the larger CARICOM countries would continue to dominate intra-regional trade

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under the CSME. St. Lucia PM Kenny Anthony, in his speech at the 2005 HOGs meeting, illustrated this same point by stating that the OECS share of intra-regional trade dropped from 2.3 percent in 1985 to just 1.4 percent in 2003 (Ref D).

The RDF Explained

¶5. (SBU) Chapter Seven of the Revised Treaty of Chaguaramas provides for "...a special regime for the Less Developed Countries in order to enhance their prospects for successful competition within the Community (CARICOM), and redress, to the extent possible, any negative impact of the establishment of the CSME." Within that chapter, Article 158 outlines the establishment of the RDF. The treaty contains 240 Articles divided into nine chapters, all of which CARICOM states must eventually implement. OECS leaders, particularly Ralph Gonsalves, used their leverage as a bloc within CARICOM to dictate that Article 158 should be implemented before the OECS would officially sign on to the CSME. The rest of CARICOM has generally reacted sympathetically to this OECS demand. According to Barbados Prime Minister Owen Arthur, the RDF is supposed to be a US\$250 million fund. The first US\$110 million of the RDF will come from CARICOM member states under an undisclosed assessment formula that takes into account the ability of various states to pay. A further US\$20 million will come from Trinidad's Petroleum Fund, and CARICOM hopes that international donors will contribute the remaining US\$120 million.

Barbados CSME Conference

¶6. (SBU) Immediately preceding the HOGs meeting, the Barbados government, along with CARICOM, hosted a "High-Level Symposium on the CSME" in Barbados from June 28-30 that attracted a broad cross section of Caribbean society, including academics, NGOs, companies, and governments. As a

show of his support for the CSME, PM Arthur attended every session of the conference and participated actively, asking probing questions of various presenters in an effort to provoke discussion and crack open issues holding up the implementation of the CSME. Notably, St. Kitts and Nevis Prime Minister Denzil Douglas, who was scheduled to speak at the opening ceremony of the symposium, did not show. The OECS in general was not as well represented as other parts of the Caribbean, perhaps in keeping with their wariness towards the CSME in general. In any case, the conference was productive and allowed various CSME players both to air their issues in public and to hold private consultations on the margins to resolve differences.

Comment

¶7. (SBU) The formal signing of the CSME, while a purely ceremonial act (Ref C), provided a public display that almost all CARICOM countries are on board with the common market. This act provides political support to the technocrats working both at the CARICOM Secretariat and at the country level to translate the myriad provisions of the CSME into national law and to develop the necessary regulations to implement the new laws. The signing also gave CARICOM a useful deadline to spur member states towards faster implementation of the CSME. Now that the ink has dried, there is a real danger that the momentum to put the "E" (or single economy) back in CSME could slow. The previous deadline for the single economy phase was 2008, but that may be far too ambitious given the amount of political wrangling needed to induce the OECS states to sign the CSME. The CSME is now at a precarious point. PM Arthur, lead CARICOM Prime Minister for the CSME, along with other regional leaders, will have to maintain steady focus to keep the regional integration process moving forward.

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